

Message Text

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C O N F I D E N T I A L LAGOS 10359

E. O. 11652: GDS

TAGS: PFOR, ECON, EINV, NI

SUBJ: NIGERIAN BANKING INDIGENIZATION: STAND-OFF AT OK CORRAL

REF : LAGOS 9892

1. AS OF SEPTEMBER 8 AN IMPASSE EXISTS BETWEEN THE THREE AMERICAN MERCHANT BANKS AND THE FMG NEGOTIATING TEAM. ALTHOUGH THERE HAS BEEN LITTLE DISCUSSION OR COORDINATION BETWEEN THE BANKS, THEIR ACTIONS AND POLICY CONCERNS REPRESENT A BASICALLY COMMON APPROACH. BUT TIME IS RUNNING OUT AND THE FMG IS PLAYING A VERY COOL HAND.

2. IN EACH OF THE MEETINGS THE FMG SPOKESMEN HAVE STRESSED THAT THE BANKS' CORPORATE NAMES AND FOREIGN PERSONNEL WERE VERY MUCH WANTED, THAT EXPATRIATES WERE CRUCIALLY NEEDED TO CONTINUE "RUNNING THE BANKS ON A SOUND COMMERCIAL BASIS". MOREOVER, CHAIRMAN EBONG AND HIS COLLEAGUES STATED THAT THE REAL MANAGEMENT CONTROL WOULD REMAIN IN THE HANDS OF THE AMERICANS. ALTHOUGH NIGERIANS MUST HOLD 60 PERCENT EQUITY, THE DIRECTION WOULD STILL COME FROM THOSE WHO KNEW THE BUSINESS BEST. THESE OVERTURES, HOWEVER, ARE VIEWED WITH DISTRUST BY THE BANKS, EACH OF WHICH HAD BROUGHT TWO EXECUTIVES FROM THE U.S. TO PARTICIPATE IN THE TALKS. EACH BANK'S RESPONSE HAS BEEN THAT 60 PERCENT NIGERIAN OWNERSHIP IS UNACCEPTABLE.

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3. AFTER ITS AUGUST 30 MEETING, FIRST NATIONAL CHICAGO SAID ITS LAST DITCH POSITION WOULD BE TO CONSIDER AN ARRANGEMENT SIMILAR TO THE BANK WHICH IT PARTLY OWNS IN EGYPT. FUNDAMENTAL TO IT IS A CLEARLY DEFINED MANAGEMENT CONTRACT WHICH WOULD GUARANTEE OPERATING CONTROL OF THE INSTITUTION TO CHICAGO REGARDLESS OF HOW MANY SHARES IT OWNED.

4. AT ITS SEPTEMBER 1 MEETING, CHASE WENT IN WITH A DESIRE TO CONDUCT A WIDE RANGING DISCUSSION OVER "HOW CAN WE MAKE A JOINTLY OWNED COMPANY WORK". AFTER A SERIES OF SUBSEQUENT PHONE CALLS TO NEW YORK HEADQUARTERS, HOWEVER, THE CHASE LINE HARDENED SIGNIFICANTLY, WITH THE CHASE TEAM ADMITTING TO THE EMBASSY THAT POLICY STRATEGY BETWEEN FIELD AND HOME OFFICE HAD NOT BEEN SUFFICIENTLY CRYSTALLIZED BEFORE THE MEETING. THREE BASIC POINTS ((1) U.S. BANK HAVING LESS THAN MAJORITY CONTROL, (2) A FOREIGN GOVERNMENT OWNING A SUBSTANTIAL SHARE, (3) USE OF BANK'S GLOBAL NAME) ARE NOW HELD AS POLICY ISSUES ON WHICH THE BANK CAN NOT YIELD. THE FMG HAD OFFERED CHASE "AN EXCELLENT PRICE" FOR THE SHARES, BUT THIS WAS A SUBORDINATE ISSUE.

5. WHILE THE RAMRODDING FROM NEW YORK APPEARS TO HAVE RUN COUNTER TO THE VIEWS OF PETER NICE WHO IS HERE AS ONE OF THE NEGOTIATORS, IT PRESUMABLY WAS WELCOME NEWS TO CITIBANK AND CHICAGO WHO SUSPECTED THEIR CHASE COUNTERPARTS OF VACILLATION AND WEAKENING THE JOINT DEFENSE. IN THE ONE RELATIVELY SUPERFICIAL COCKTAIL MEETING BETWEEN THE THREE BANKS AT THE END OF AUGUST, A CHASE OFFICER HAD COMMENTED THAT NIGERIA WAS SUCH A BIG MARKET THAT THE BANK COULD DO WELL EVEN WITH 40 PERCENT EQUITY. ON THE STRENGTH OF SUCH WORDS, THE OTHER TWO AMERICAN BANKS WERE READY TO WRITE CHASE OFF AS A TRAITOR TO THE CAUSE.

6. CITIBANK AFTER MEETING AGAIN WITH THE FMG NEGOTIATORS ON SEPTEMBER 7, CHARACTERIZED THE NIGERIANS AS "ABSOLUTELY UNBENDABLE". THE CITIBANKERS WERE TOLD THAT IF THEY COULDN'T ACCEPT THE TERMS AS STATED BY THE FMG, THEY COULD PICK UP THEIR BANKING LICENSE ON SEPTEMBER 24 AND DEPART. THE RESIDENT STAFF IS SO DISILLUSIONED ABOUT ITS PROSPECTS THAT IT CANCELLED A BUSINESS COMMUNITY LUNCHEON SET FOR SEPT. 13.

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AT THE SAME TIME, HOWEVER, RESIDENT MANAGER BELLOWS TOLD ECON COUNSELOR THERE IS STILL POSSIBILITY FOR SOME MODUS VIVENDI FOR STAYING ON WITHOUT USING CITIBANK NAME. OTHERS IN STAFF ARE READY TO PULL OUT, ARGUING THAT CITIBANK HAS BECOME WORLD'S LEADING INTERNATIONAL BANK BECAUSE OF ITS NO-COMPROMISE TENACITY AND ADHERENCE TO PRINCIPLES. IF EJECTED FROM NIGERIA NOW, IT WAS QUITE LIKELY THAT THE BANK COULD AND WOULD RETURN IN THE FUTURE UNDER MORE FAVORABLE TERMS.

7. INTERESTINGLY, CITIBANK IS ONE OF TEN OF TWELVE FOREIGN BANKS HERE IN NIGERIA WHICH IN PAST FEW WEEKS HAVE SIGNED AN "AGREEMENT OF DISCUSSION" WITH THE FMG. THESE AGREEMENTS ARE ESSENTIALLY STATEMENTS THAT BOTH SIDES HAVE CONFERRED AND HAVE INDIVIDUALLY PROPOSED SPECIFIC POINTS; IF NO JOINT ACCEPTANCE OF POINTS IS REACHED BY A CERTAIN DATE, OPERATING LICENSE WILL TERMINATE. CHASE AND CHICAGO HAVE NOT YET SIGNED SUCH AGREEMENTS, PRESUMABLY IN HOPE OF ELICITING SOME LAST MINUTE CONCESSIONS.
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